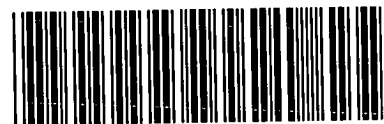


Company Registration No. 04738640 (England and Wales)

**AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	K Pearman K Rahuf J A Scott J W Woodruff
<b>Secretary</b>	Vercity Management Services Limited
<b>Company number</b>	04738640
<b>Registered office</b>	8 White Oak Square London Road Swanley Kent BR8 7AG
<b>Auditor</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Banker</b>	Bank of Scotland Edinburgh Branch New Ueberior House Edinburgh EH3 9BN

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# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

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# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present the strategic report for the year ended 31 December 2021.

### Business Review and Principal Activities

The company is principally engaged in the performance of a PFI contract with Manchester City Council for the design, installation, refurbishment and maintenance of certain street lighting. Financial close was reached on 31 March 2004. The concession period is 25 years. The completion certificate for the construction works was received on 17 March 2008.

In 2017 a major variation was signed in order to retrofit a central management system (CMS) and LED lights to the existing network in Manchester. The purpose was to upgrade to technology unavailable during the capital works phase of the project to reduce the energy costs of the network. Manchester City Council funded the capital costs of this work, estimated at circa £30m. Approximately 55,000 new lights were installed with the CMS over a three-year period, replacing all of the existing lights on the Manchester network. All works were installed by the existing Services Subcontractor, who will remain responsible for the ongoing maintenance.

### Business and Financial Performance

The company profit after taxation for the year is £676,000 (2020: £652,000) and, the net assets of the company are £1,704,000 (2020: £145,000).

Financial covenants have been met during the year and, having considered the anticipated future performance and position of the company, the directors are of the opinion that the covenants will continue to be met.

### Principal Risks and Uncertainties

The company's activities expose it to a number of financial risks including liquidity risk, interest rate risk and credit risk. These risks are further explained in the Directors' Report on page 3.

### Development and Performance

The directors are not aware, at the date of this report, of any major changes in the company's activities in the next year.

### Key Performance Indicators

Financial penalties are levied by the Authority in the event of performance standards not being achieved in accordance with the detailed criteria as set out in the Project Agreement. All deductions are passed on to the sub-contractor and the quantum of the penalties is an indication of the level of performance. During the year service performance deductions totalling £3,000 were levied for steady state services (2020: £6,000). This represents 0.06% (2020: 0.19%) of the total costs from the sub-contractor for the provision of the services. The directors consider this low level of deductions to be satisfactory.

On behalf of the board



J A Scott  
Director

28 June 2022

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their annual report and audited financial statements for the year ended 31 December 2021.

#### Principal activities

The company is principally engaged in the performance of a PFI contract with Manchester City Council for the design, installation, refurbishment and maintenance of certain street lighting. Financial close was reached on 31 March 2004. The concession period is 25 years. The completion certificate for the construction works was received on 17 March 2008.

In 2017 a major variation was signed in order to retrofit a central management system (CMS) and LED lights to the existing network in Manchester. The purpose was to upgrade to technology unavailable during the capital works phase of the project to reduce the energy costs of the network. Manchester City Council funded the capital costs of this work, estimated at circa £30m. Approximately 55,000 new lights were installed with the CMS over a three-year period, replacing all of the existing lights on the Manchester network. All works were installed by the existing Services Subcontractor, who will remain responsible for the ongoing maintenance.

There have not been any significant changes in the company's principal activities in the year under review.

#### Results and dividends

The results for the year are set out on page 8.

Interim dividends were paid amounting to £307,000 (2020: £326,000). The directors do not recommend payment of a final dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

K Pearman	
T Cunningham	(Resigned 1 July 2021)
A Joshi	(Resigned 10 December 2021)
K Rahuf	
J Connelly	(Resigned 7 March 2022)
J A Scott	(Appointed 1 July 2021)
J W Woodruff	(Appointed 10 December 2021)

#### Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

#### COVID-19 risk

The company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### **Brexit**

The company is exposed to Brexit risk as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the company itself is not considered to be significantly exposed, subcontractors which the company engages with are considered to have exposure in relation to labour and the cost of supplies. Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the board continue to actively monitor developments.

### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

### **Financial instruments**

#### **Liquidity risk**

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the company negotiated debt facilities with an external party to ensure that the company has sufficient funds over the life of the PFI concession.

#### **Interest rate risk**

The company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The company uses interest rate swaps to manage the risk and reduce its exposure to changes in interest rates.

#### **Credit risk**

The company's principal financial assets are cash, finance debtor and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

### **Future developments**

The directors are not aware, at the date of this report, of any major changes in the company's activities in the next year.

### **Auditor**

The auditor, BDO LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J A Scott  
Director

28 June 2022

# **AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

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#### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Amey Highways Lighting (Manchester) Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

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#### Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

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We obtained an understanding of the legal and regulatory framework that the company operates in and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgments made in accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;
- enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

**BDO LLP**

**Richard Willis (Senior Statutory Auditor)**

**For and on behalf of BDO LLP, statutory auditor**  
**London**

28 June 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	4,899	6,284
Cost of sales		(4,008)	(5,402)
<b>Gross profit</b>		<u>891</u>	<u>882</u>
Interest receivable and similar income	7	1,173	1,316
Interest payable and similar expenses	8	(1,229)	(1,393)
<b>Profit before taxation</b>		<u>835</u>	<u>805</u>
Tax on profit	9	(159)	(153)
<b>Profit for the financial year</b>		<u>676</u>	<u>652</u>
<b>Other comprehensive income</b>			
Cash flow hedges gain arising in the year		1,337	281
Tax relating to other comprehensive income		(147)	15
<b>Total comprehensive income for the year</b>		<u><u>1,866</u></u>	<u><u>948</u></u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	£'000	2020 £'000	£'000
<b>Current assets</b>					
Debtors falling due after more than one year	11	16,915		19,232	
Debtors falling due within one year	11	2,940		2,741	
Cash at bank and in hand		1,135		1,116	
		<u>20,990</u>		<u>23,089</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(4,179)</u>		<u>(4,156)</u>	
<b>Net current assets</b>			16,811		18,933
<b>Creditors: amounts falling due after more than one year</b>	13		<u>(15,107)</u>		<u>(18,788)</u>
<b>Net assets</b>			<u>1,704</u>		<u>145</u>
<b>Capital and reserves</b>					
Called up share capital	16		40		40
Hedging reserve	16		(1,340)		(2,530)
Profit and loss reserves	16		3,004		2,635
<b>Total equity</b>			<u>1,704</u>		<u>145</u>

The financial statements were approved by the board of directors and authorised for issue on 28 June 2022 and are signed on its behalf by:



J A Scott  
Director

Company Registration No. 04738640

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 January 2020</b>		40	(2,826)	2,309	(477)
<b>Year ended 31 December 2020:</b>					
Profit for the year		-	-	652	652
Other comprehensive income:					
Cash flow hedges gains		-	281	-	281
Tax relating to other comprehensive income		-	15	-	15
Total comprehensive income for the year		-	296	652	948
Dividends	10	-	-	(326)	(326)
<b>Balance at 31 December 2020</b>		40	(2,530)	2,635	145
<b>Year ended 31 December 2021:</b>					
Profit for the year		-	-	676	676
Other comprehensive income:					
Cash flow hedges gains		-	1,337	-	1,337
Tax relating to other comprehensive income		-	(147)	-	(147)
Total comprehensive income for the year		-	1,190	676	1,866
Dividends	10	-	-	(307)	(307)
<b>Balance at 31 December 2021</b>		40	(1,340)	3,004	1,704

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Amey Highways Lighting (Manchester) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of AHL Holdings (Manchester) Limited. These consolidated financial statements are available from Companies House.

#### Amendments to FRS102: Interest rate reform

The company's hedged items and hedging instruments continue to be linked to Sterling LIBOR. The company has applied the transitional provisions set out in the amendments to FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Interest Rate Benchmark Reform, issued in December 2019, to those hedging relationships directly affected by IBOR reform. In accordance with these amendments, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the company assumes that the benchmark interest rate is not altered as a result of IBOR reform and can continue to apply hedge effectiveness throughout the transition period.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

#### 1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.5 Financial instruments (continued)

##### **Loans and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.



# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.5 Financial instruments (continued)

##### *Other financial liabilities*

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.7 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The company does not hold or issue derivative financial instruments for speculative purposes.

#### 1.8 Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

#### 1.11 Service Concession

The company is a special purpose entity that has been established to provide services under certain private finance agreements with Manchester City Council (the Council). Under the terms of these Agreements, the Council (as grantor) controls the services to be provided by the company over the contract term. Based on the contractual arrangements the company has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The company has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the company has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Council), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

#### **Hedge accounting**

The directors consider the company to have met the criteria for cash flow hedge accounting. The company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

The Fair Value of the swaps recorded in the accounts are based on Mark to Market estimates provided by the Bank. It is expected that changes to the hedging instrument and the loan will be materially consistent and limited to the transition from LIBOR to the new benchmark, as both the loan and the swap will be transitioned to the new benchmark at similar times in a broadly matching fashion.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

#### **Valuation of derivative financial instruments**

The directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £1,787,000 (2020: £3,124,000). The directors do not consider the impact of own credit risk to be material.

#### **Service concession arrangement**

As disclosed in Note 1, the company accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Service fee revenue	4,559	4,462
Passthrough and variation income	340	1,800
Other Income	-	22
	<u>4,899</u>	<u>6,284</u>

	2021 £'000	2020 £'000
Turnover analysed by geographical market		
United Kingdom	<u>4,899</u>	<u>6,284</u>

### 4 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>12</u>	<u>14</u>

### 5 Employees

The company had no employees during the year (2020: nil).

### 6 Directors' remuneration

No directors received any remuneration for services to the company during the year (2020: nil).

### 7 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	-	9
Other interest income	1,173	1,307
Total income	<u>1,173</u>	<u>1,316</u>

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 8 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on bank loans	1,001	1,135
Interest payable to group undertakings	228	258
	<u>1,229</u>	<u>1,393</u>

### 9 Taxation

	2021 £'000	2020 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	159	153
	<u>159</u>	<u>153</u>

For the year ended 31 December 2021, the UK corporation tax rate of 19% is applied.

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £'000	2020 £'000
Profit before taxation	835	805
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	159	153
Taxation charge in the financial statements	<u>159</u>	<u>153</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £'000	2020 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	147	(15)
	<u>147</u>	<u>(15)</u>

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Dividends

	2021 Per share £	2020 Per share £	2021 Total £'000	2020 Total £'000
Interim paid	7.68	8.15	307	326

### 11 Debtors

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	777	799
Other debtors	2,109	1,933
Prepayments and accrued income	54	9
	<u>2,940</u>	<u>2,741</u>
<b>Amounts falling due after more than one year:</b>		
Other debtors	16,468	18,638
Deferred tax asset (note 15)	447	594
	<u>16,915</u>	<u>19,232</u>
<b>Total debtors</b>	<u>19,855</u>	<u>21,973</u>

### 12 Creditors: amounts falling due within one year

	Notes	2021 £'000	2020 £'000
Bank loans	14	2,328	2,191
Other borrowings	14	253	239
Trade creditors		426	50
Amounts owed to group undertakings		55	62
Corporation tax		77	78
Other taxation and social security		197	259
Derivative financial instruments		609	846
Other creditors		93	-
Accruals and deferred income		141	431
		<u>4,179</u>	<u>4,156</u>

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Creditors: amounts falling due after more than one year

	Notes	2021 £'000	2020 £'000
Bank loans and overdrafts	14	12,521	14,849
Other borrowings	14	1,408	1,661
Derivative financial instruments		1,178	2,278
		<u>15,107</u>	<u>18,788</u>

#### Derivative Financial Instruments

The swaps have a fixed interest rate of 5.22% (Lloyds Bank Corporate Market PLC) and expire in 2027. The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months Libor. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Group's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

The fair value of the derivative financial instrument above comprise the fair value of the interest rate swap designated in an effective hedging relationship. The change in fair value of the interest rate swap that was recognised in other comprehensive income in the period was gain of £1,337,000 (2020: £281,000).

Amounts included above which fall due after five years are as follows:

Payable by instalments	1,780	5,109
	<u>1,780</u>	<u>5,109</u>

### 14 Loans and overdrafts

	2021 £'000	2020 £'000
Bank loans	14,849	17,040
Loans from parent undertakings	1,661	1,900
	<u>16,510</u>	<u>18,940</u>
Payable within one year	2,581	2,430
Payable after one year	13,929	16,510
	<u>16,510</u>	<u>18,940</u>

The loans are secured by a fixed and floating charge over all the assets of the company and a charge over the shares of the company.

# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Loans and overdrafts

(Continued)

#### Bank Loan

The bank loan is provided by Bank of Scotland and is to be used to finance the construction of the project. The loan is repayable in installments based on an agreed percentage amount of the total facility per annum through to 2027.

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps to mitigate its interest exposure. The fixed interest rate on the facility, after taking into consideration the swap is 5.22%.

#### Subordinated debt

The amounts owed to parent undertakings comprise subordinated loans of £1,661,000 (2020: £1,900,000). The loans are subject to interest rates at an agreed arm's length rate of 12.5% per annum and are repayable by 2027 in line with the agreed repayment schedules. Interest accrued on these loans at 31 December 2021 are £55,000 (2020: £62,000).

### 15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2021 £'000	Assets 2020 £'000
<b>Balances:</b>		
Deferred tax on derivative financial instrument	447	594
	<u>447</u>	<u>594</u>
<b>Movements in the year:</b>		<b>2021 £'000</b>
Asset at 1 January 2021		594
Charge to other comprehensive income		(147)
Asset at 31 December 2021		<u>447</u>

The deferred tax asset in relation to the derivative financial instrument is expected to affect profit or loss over the period to maturity of the interest rate swap.

### 16 Share capital and reserves

	2021 Number	2020 Number	2021 £'000	2020 £'000
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of £1 each of £1 each	40,000	40,000	40	40
	<u>40,000</u>	<u>40,000</u>	<u>40</u>	<u>40</u>



# AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16 Share capital and reserves

(Continued)

#### Other reserves

The company's other reserves are as follows:

The profit and loss account represents cumulative profits or losses net of dividends.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

### 17 Related party transactions

#### Transactions with related parties

During the year the company entered into the following transactions with related parties:

	2021 £'000	2020 £'000
Amey LG Limited: Operating and maintenance costs	3,771	5,189
Amey Ventures Management Services Limited: Directors' fees	14	14
DIF Infrastructure II & DIF III UK Limited: Directors' fees	14	14
Jura Acquisition Limited: Directors' fees	29	28
Amey Ventures Investments Limited: Loan note interest	114	129
Fenton UK 3 Limited: Loan note interest	114	129
	<u>4,056</u>	<u>5,503</u>

The following amounts were outstanding at the reporting end date:

	2021 £'000	2020 £'000
<b>Amounts owed to related parties</b>		
Amey LG Limited: Operating and maintenance cost	402	34
Jura Acquisition Limited: Directors' fees	17	9
Amey Ventures Investments Limited: Loan note	831	950
Amey Ventures Investments Limited: Loan note interest	27	31
Fenton UK 3 Limited: Loan note	831	950
Fenton UK 3 Limited: Loan note interest	27	31
	<u>2,135</u>	<u>2,005</u>

No guarantees have been given or received.

The company is a wholly owned subsidiary of AHL Holdings (Manchester) Limited, which in turn is owned 50% by Fenton UK 3 Ltd and 50% by Amey Ventures Investments Limited.

# **AMEY HIGHWAYS LIGHTING (MANCHESTER) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **18 Ultimate controlling party**

The company's immediate and ultimate parent company and controlling entity is AHL Holdings (Manchester) Limited, a company incorporated in Great Britain and registered in England and Wales, with a registered address of 8 White Oak Square, Swanley, Kent, BR8 7AG. The smallest and largest group in which its results are consolidated is AHL Holdings (Manchester) Limited. Copies of the consolidated accounts are available from Companies House.